

AUDITING PROCEDURES REPORT

Issued under P.A.2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Bingham Farms, Michigan	County Oakland
Audit Date June 30, 2004	Opinion Date July 30, 2004	Date Accountant Report Submitted to State: December 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised,
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (PA. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5750 New King Street, Suite 100	City Troy	State MI	Zip 48098
<div>Accountant Signature Thomas Darling, CPA</div> <div></div>			

**VILLAGE OF BINGHAM FARMS
MICHIGAN**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
JUNE 30, 2004**

VILLAGE OF BINGHAM FARMS, MICHIGAN
Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2004

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

July 30, 2004

To the Village President and Council
Village of Bingham Farms
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Bingham Farms, Michigan**, as of and for the year ended June 30, 2004 (September 30, 2003 for the Water and Sewer proprietary fund), which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Village of Bingham Farms, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Village of Bingham Farms, Michigan**, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Major Streets, and Local Streets funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

As described in Note 1, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004, on our consideration of the ***Village of Bingham Farms, Michigan***'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

As management of the Village of Bingham Farms, we offer readers of the Village of Bingham Farms financial statements this narrative overview and analysis of the financial activities of the Village of Bingham Farms for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- **State Revenue sharing reductions:** Village sales tax revenues from the State were reduced by 10% compared to 2003.
- **Bristol Lane repaving project:** Bristol Lane, Sager Court, Brittner Court, and Bristol Court paving projects were begun in fiscal year 2004. They will be completed in the coming year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Bingham Farms financial statements. The Village of Bingham Farms basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Bingham Farms finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Bingham Farms assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Bingham Farms that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Bingham Farms include public safety, public works, recreation and culture, and general administrative services. The business-type activities of the Village of Bingham Farms include water and wastewater services.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Bingham Farms, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

finance related legal requirements. All of the funds of the Village of Bingham Farms can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Bingham Farms maintains 3 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Major Streets fund and Local Streets fund, each of which are considered to be major funds.

The Village of Bingham Farms adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

Proprietary funds. The Village of Bingham Farms maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Bingham Farms uses the enterprise fund to account for its water and wastewater activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater activities, which are considered to be a major fund of the Village of Bingham Farms. Due to the fact that Oakland County, Michigan essentially provides all the administration, maintenance activities and financial processing of this fund, the Village has elected to report this fund as of the date of Oakland County's last issued audited financial statements.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-38 of this report.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Bingham Farms, assets exceeded liabilities by \$2,758,478 at the close of the most recent fiscal year.

The Village of Bingham Farms net assets also reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding of which there was no related debt outstanding at the end of the fiscal year. The Village of Bingham Farms uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Bingham Farms investment in its capital assets is reported net of related debt, it should be noted that if there had been related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

Village of Bingham Farms Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current and other assets	\$ 2,443,873	\$ 60,906	\$ 2,504,779
Capital assets	<u>581,680</u>	<u>673,221</u>	<u>1,254,901</u>
Total assets	<u>3,025,553</u>	<u>734,127</u>	<u>3,759,680</u>
Current liabilities outstanding	<u>267,075</u>	<u>-</u>	<u>267,075</u>
Net assets:			
Invested in capital assets, net			
of related debt	581,680	673,221	1,254,901
Restricted	217,807	-	217,807
Unrestricted	<u>1,958,991</u>	<u>60,906</u>	<u>2,019,897</u>
Total net assets	<u>\$2,758,478</u>	<u>\$734,127</u>	<u>\$3,492,605</u>

Net assets of governmental funds at year-end have been restricted primarily by funding sources for major and local street repair, maintenance and construction. Of the net asset balance at year-end, 21% is invested in capital assets net of related debt, 8% is restricted for major and local streets and 71% is unrestricted and available for general Village operations.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Village of Bingham Farms Changes in Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 243,173	\$ 412,207	\$ 655,380
General revenue:			
Property taxes	1,190,634	-	1,190,634
State shared revenue	139,331	-	139,331
Interest and Other	138,965	7,177	146,142
Total revenue	<u>1,712,103</u>	<u>419,384</u>	<u>2,131,487</u>
Expenses:			
General government	357,219	-	357,219
Public safety	758,594	-	758,594
Public works	132,472	-	132,472
Recreation and culture	86,054	-	86,054
Water and wastewater	-	469,763	469,763
Total expenses	<u>1,334,339</u>	<u>469,763</u>	<u>1,804,102</u>
Increase (decrease) in net assets	377,764	(50,379)	327,385
Net assets - beginning of year	<u>2,380,714</u>	<u>784,506</u>	<u>3,165,220</u>
Net assets – end of year	<u><u>\$2,758,478</u></u>	<u><u>\$734,127</u></u>	<u><u>\$3,492,605</u></u>

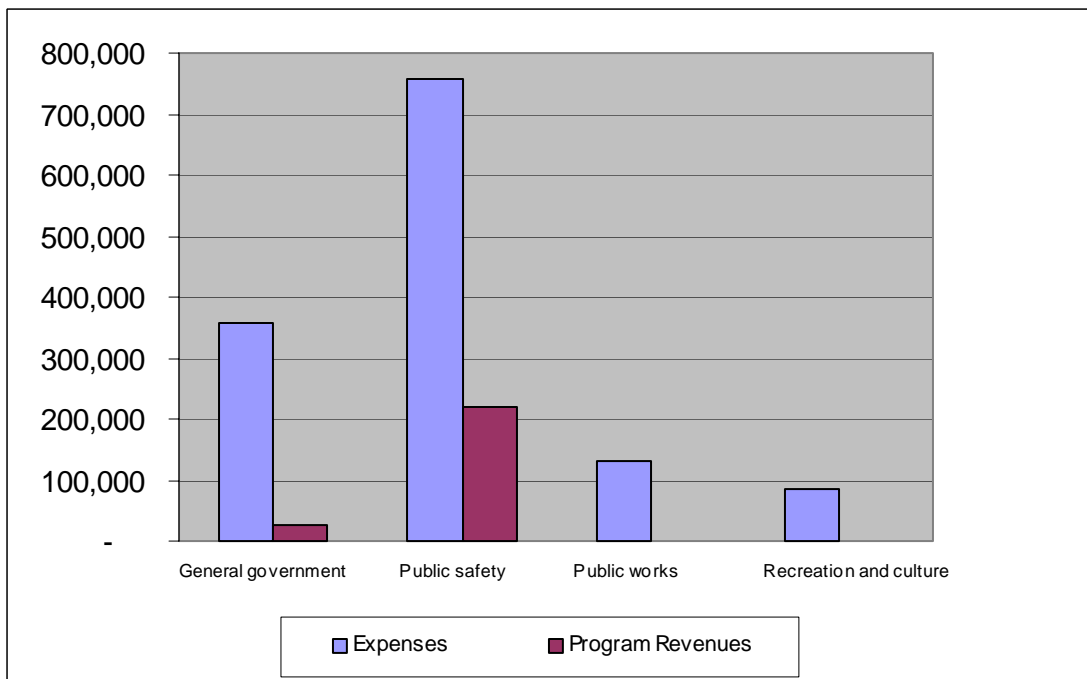
VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Governmental activities. Governmental activities increased the Village's net assets by \$377,764, accounting for 115% percent of the total growth in the net assets of the Village. Key elements of this increase are as follows:

- Refund of debt service payment by Oakland County for the water and sewer system \$89,819 (24 percent) during the year.
- Increase in working capital resulting from current assets in excess of current liabilities \$127,831 (34 percent) during the year without regard to debt service payment refund as mentioned above.
- The timing difference between acquisition and/or construction of capital assets and depreciation of the assets over their estimated useful lives \$158,155 (42 percent).

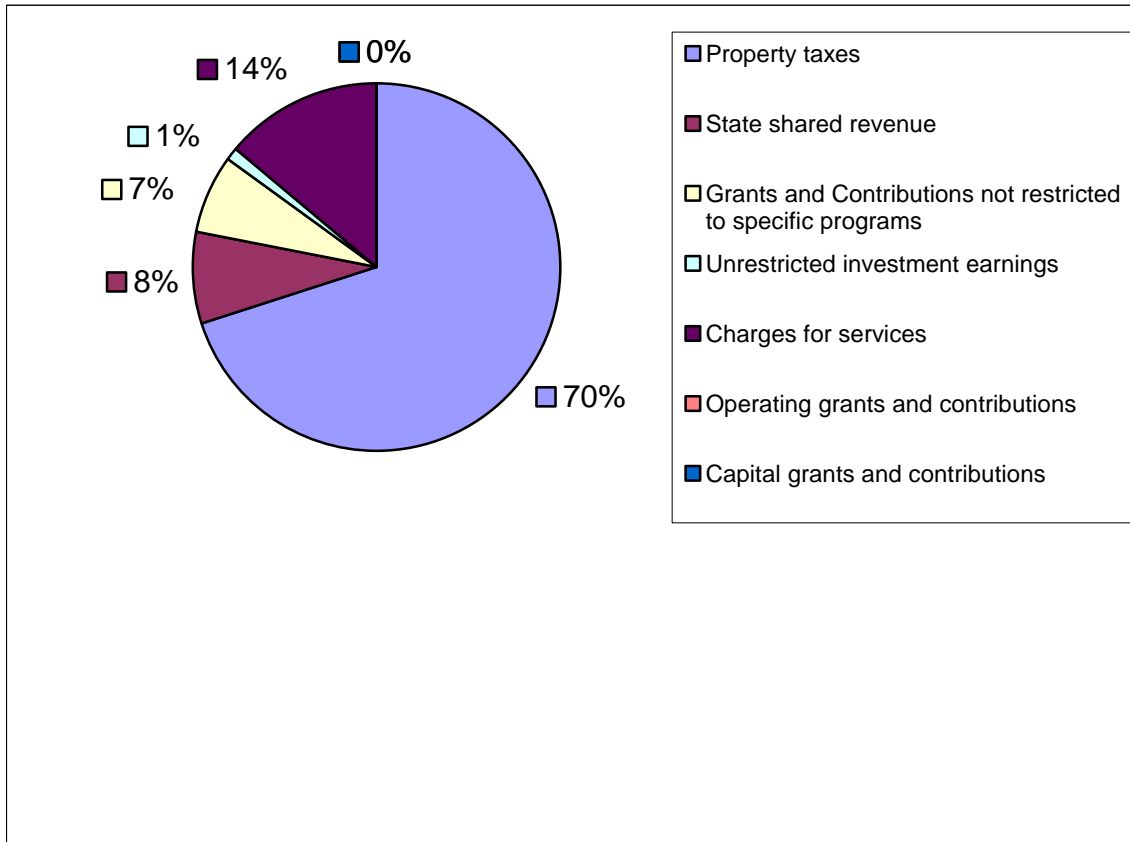
Expenses and Program Revenues - Governmental Activities



VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Revenues by Source - Governmental Activities



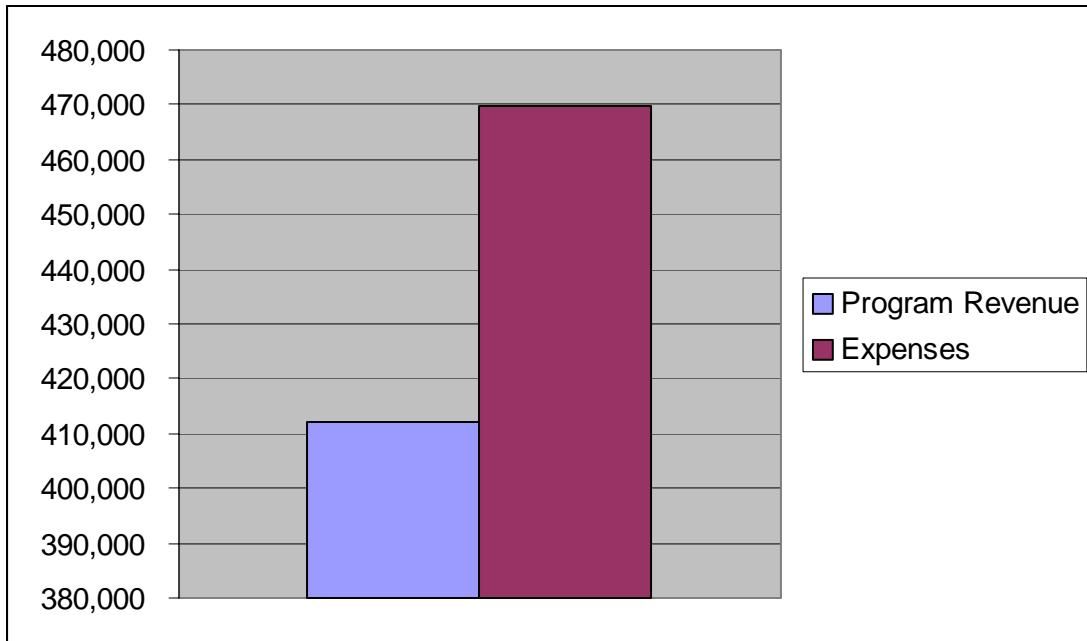
Business-type activities. Business-type activities decreased the Village's net assets by \$50,379, accounting for a negative 15% percent of the total change in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$104,220. The key element of this decrease is as follows:

Due to the retirement in debt in the previous year there were no transfers from the General fund to the Water Supply and Sewage Disposal fund.

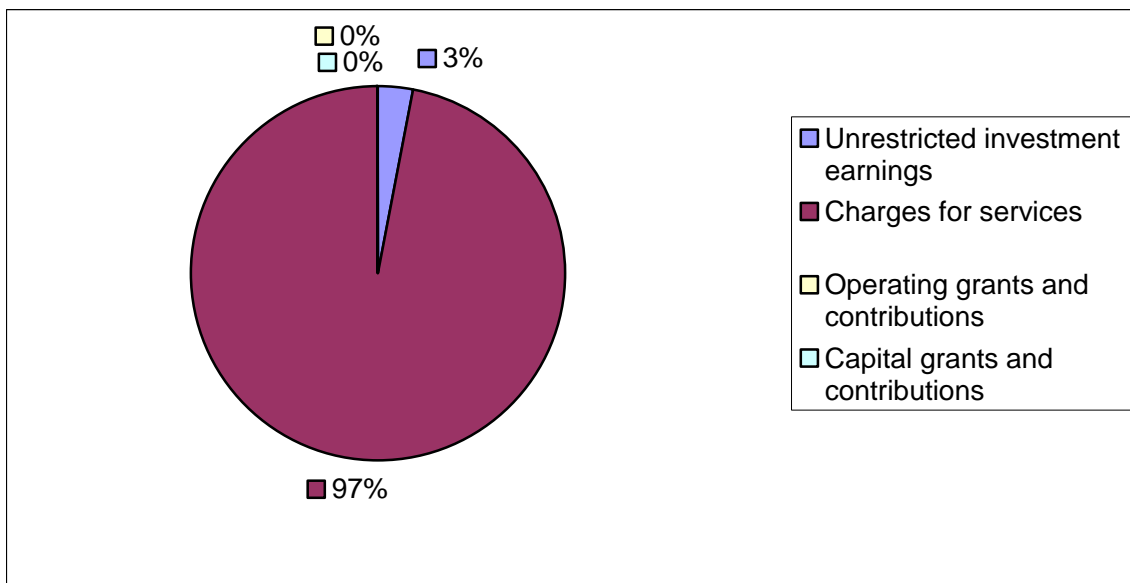
VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the Village of Bingham Farms uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Bingham Farms *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Bingham Farms financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village of Bingham Farms' governmental funds reported combined ending fund balance of \$2,170,130, an increase of \$217,650 compared with prior year. Approximately 73 percent or \$158,874 of this increase was due to the increase in the general fund balance. Of this amount \$89,819 was due to the refund from Oakland County for debt service payments on the water and sewer system. In addition the General fund was not required to transfer an amount equal to the principal and interest to the Water Supply and Sewage Disposal Fund of approximately \$200,000 as in prior years due to the retirement of the debt.

The general fund is the chief operating fund of the Village of Bingham Farms. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,131,219 while total fund balance reached \$1,952,323. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 94 percent of total general fund expenditures, while total fund balance represents 163 percent of that same amount.

Proprietary funds. The Village of Bingham Farms' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Supply and Sewage Disposal fund at the end of the year amounted to \$60,906. The total changes in net assets for this fund was \$(50,379).

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were very minor (\$2,400 in appropriations).

Capital Asset and Debt Administration

Capital assets. The Village of Bingham Farms' investment in capital assets for its governmental and business type activities as of the end of the fiscal year, amounts to \$1,254,901 (net of

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

accumulated depreciation). This investment in capital assets includes equipment, roads, bridges, water supply and sewage disposal systems, and construction in progress. The total increase in the Village of Bingham Farms' investment in capital assets for the current fiscal year was approximately 9 percent (a 37 percent increase for governmental activities and an 8 percent decrease for business-type activities). 2004 was the first year in which infrastructure assets were recorded.

Major capital asset events during the current fiscal year included the following:

- Major and local road improvements

Village of Bingham Farms Capital Assets (net of depreciation)

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
Construction in progress	\$ 167,741	\$ -	\$ 167,741
Equipment	2,502	-	2,502
Infrastructure	<u>411,437</u>	<u>673,221</u>	<u>1,084,658</u>
Total	<u>\$ 581,680</u>	<u>\$ 673,221</u>	<u>\$ 1,254,901</u>

Long-term debt.

During the year the Village issued no new debt and had no principal or interest payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the Village of Bingham Farms is \$10,509,425.

Economic Factors and Next Year's Budgets and Rates

- **Proposed continuation of necessary road replacement program:** Coachlight and Old Stage repairs are planned to improve drainage and eliminate standing and freezing water problems are budgeted as major capital improvements in the fiscal year 2005 budget.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Management's Discussion and Analysis

- **Administrative expense increases:** The Village Administrative expense budget was increased 42% primarily in anticipation of the need to extend Village office hours to full time and provide benefits to the staff, as well as to cover contracted increases in rent and insurance.
- **Millage rate remains at 6.8 mills:** The millage rate was maintained at 6.8 mills.

Requests for Information

This financial report is designed to provide a general overview of the Village of Bingham Farms finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Karin Ludwick, Treasurer, Village of Bingham Farms, 24255 Thirteen Mile Road, Bingham Farms, Michigan 48025.

***BASIC FINANCIAL
STATEMENTS***

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,054,450	\$ -	\$ 2,054,450
Investments	300,000	-	300,000
Receivables (net)	22,272	-	22,272
Due from other governments	35,865	60,906	96,771
Restricted cash	31,286	-	31,286
Capital assets not being depreciated	167,741	-	167,741
Capital assets being depreciated, net	413,939	673,221	1,087,160
Total assets	3,025,553	734,127	3,759,680
Liabilities			
Accounts payable	218,425	-	218,425
Other liabilities	48,650	-	48,650
Total liabilities	267,075	-	267,075
Net assets			
Invested in capital assets	581,680	673,221	1,254,901
Restricted for:			
Highways and streets	217,807	-	217,807
Unrestricted	1,958,991	60,906	2,019,897
Total net assets	\$ 2,758,478	\$ 734,127	\$ 3,492,605

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General government	\$ 357,219	\$ 24,773	\$ -	\$ -	\$ (332,446)
Public safety	758,594	218,400	-	-	(540,194)
Public works	132,472	-	-	-	(132,472)
Recreation and culture	86,054	-	-	-	(86,054)
Total governmental activities	<u>1,334,339</u>	<u>243,173</u>	<u>-</u>	<u>-</u>	<u>(1,091,166)</u>
Business-type activities:					
Water and sewer	<u>469,763</u>	<u>412,207</u>	<u>-</u>	<u>-</u>	<u>(57,556)</u>
Total primary government	<u>\$ 1,804,102</u>	<u>\$ 655,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,148,722)</u>

continued...

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (1,091,166)	\$ (57,556)	\$ (1,148,722)
General revenues:			
Property taxes	1,190,634	-	1,190,634
State shared revenue	139,331	-	139,331
Grants and contributions not restricted to specific programs	114,755	-	114,755
Unrestricted investment earnings	24,210	7,177	31,387
Total general revenues	1,468,930	7,177	1,476,107
Change in net assets	377,764	(50,379)	327,385
Net assets, beginning of year	2,380,714	784,506	3,165,220
Net assets, end of year	<u>\$ 2,758,478</u>	<u>\$ 734,127</u>	<u>\$ 3,492,605</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,668,992	\$ 124,193	\$ 261,265	\$ 2,054,450
Investments	300,000	-	-	300,000
Receivables:				
Accounts receivable (net)	14,881	-	-	14,881
Taxes-delinquent	22,773	-	-	22,773
Less: allowance for doubtful accounts	(16,104)	-	-	(16,104)
Interest and dividends	722	-	-	722
Due from other governments	25,044	7,073	3,748	35,865
Restricted cash	31,286	-	-	31,286
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,047,594</u>	<u>\$ 131,266</u>	<u>\$ 265,013</u>	<u>\$ 2,443,873</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 39,953	\$ 11,547	\$ 166,925	\$ 218,425
Due to other government	3,823	-	-	3,823
Deferred tax revenue	6,668	-	-	6,668
Other liabilities	44,827	-	-	44,827
Total liabilities	<u>95,271</u>	<u>11,547</u>	<u>166,925</u>	<u>273,743</u>
 Fund balances:				
Unreserved, designated	821,104	-	-	821,104
Unreserved, undesignated for:				
General fund	1,131,219	-	-	1,131,219
Major Streets fund	-	119,719	-	119,719
Local Streets fund	-	-	98,088	98,088
Total fund balances	<u>1,952,323</u>	<u>119,719</u>	<u>98,088</u>	<u>2,170,130</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,047,594</u>	<u>\$ 131,266</u>	<u>\$ 265,013</u>	<u>\$ 2,443,873</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Fund balances - total governmental funds	\$ 2,170,130
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	1,008,309
Deduct: accumulated depreciation	(426,629)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds.

Add: deferred revenues	<u>6,668</u>
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Net assets of governmental activities	<u><u>\$ 2,758,478</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 1,188,675	\$ -	\$ -	\$ 1,188,675
Intergovernmental				
State	75,630	41,646	22,055	139,331
Charges for services	35,707	-	-	35,707
Fines and forfeitures	7,588	-	-	7,588
Special assessments	224,814	-	-	224,814
Interest and other	113,172	482	375	114,029
Total revenues	<u>1,645,586</u>	<u>42,128</u>	<u>22,430</u>	<u>1,710,144</u>
Expenditures				
Current:				
General government	355,914	-	-	355,914
Public safety	758,594	-	-	758,594
Public works		15,631	68,259	83,890
Recreation and culture	86,054	-	-	86,054
Capital Outlay	-	40,301	167,741	208,042
Total expenditures	<u>1,200,562</u>	<u>55,932</u>	<u>236,000</u>	<u>1,492,494</u>
Revenues over (under) expenditures	<u>445,024</u>	<u>(13,804)</u>	<u>(213,570)</u>	<u>217,650</u>
Other financing sources (uses)				
Transfers in	-	50,000	236,150	286,150
Transfers out	(286,150)	-	-	(286,150)
Total other financing sources (uses)	<u>(286,150)</u>	<u>50,000</u>	<u>236,150</u>	<u>-</u>
Net change in fund balances	158,874	36,196	22,580	217,650
Fund balances, beginning of year	<u>1,793,449</u>	<u>83,523</u>	<u>75,508</u>	<u>1,952,480</u>
Fund balances, end of year	<u><u>\$ 1,952,323</u></u>	<u><u>\$ 119,719</u></u>	<u><u>\$ 98,088</u></u>	<u><u>\$ 2,170,130</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	217,650
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		208,042
Deduct: depreciation expense		(49,887)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference deferred revenue		1,959
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Change in net assets of governmental activities	\$	377,764
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,228,350	\$ 1,228,350	\$ 1,188,675	\$ (39,675)
Intergovernmental revenue	56,864	56,864	75,630	18,766
Charges for services	12,000	12,000	35,707	23,707
Court fines	10,000	10,000	7,588	(2,412)
Special assessments	218,830	218,830	224,814	5,984
Interest and other	18,700	18,700	113,172	94,472
Total revenues	<u>1,544,744</u>	<u>1,544,744</u>	<u>1,645,586</u>	<u>100,842</u>
Expenditures				
General government	375,714	378,114	355,914	22,200
Public safety	770,977	770,977	758,594	12,383
Library	87,740	87,740	86,054	1,686
Total expenditures	<u>1,234,431</u>	<u>1,236,831</u>	<u>1,200,562</u>	<u>36,269</u>
Revenues over (under) expenditures	310,313	307,913	445,024	64,573
Other financing sources (uses)				
Transfers out	<u>(286,150)</u>	<u>(286,150)</u>	<u>(286,150)</u>	<u>-</u>
Net change in fund balances	24,163	21,763	158,874	137,111
Fund balance, beginning of year	<u>1,793,449</u>	<u>1,793,449</u>	<u>1,793,449</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,817,612</u>	<u>\$ 1,815,212</u>	<u>\$ 1,952,323</u>	<u>\$ 137,111</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
MAJOR STREETS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 30,000	\$ 30,000	\$ 41,646	\$ 11,646
Interest and other	120	120	482	362
Total revenues	<u>30,120</u>	<u>30,120</u>	<u>42,128</u>	<u>12,008</u>
Expenditures				
Construction	92,000	92,000	40,301	51,699
Routine maintenance	60,200	60,200	8,230	51,970
Winter maintenance	13,000	13,000	7,401	5,599
Total expenditures	<u>165,200</u>	<u>165,200</u>	<u>55,932</u>	<u>109,268</u>
Revenues over (under) expenditures	(135,080)	(135,080)	(13,804)	121,276
Other financing sources (uses)				
Transfers in	<u>135,080</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	-	(85,080)	36,196	121,276
Fund balance, beginning of year	<u>83,523</u>	<u>83,523</u>	<u>83,523</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 83,523</u>	<u>\$ (1,557)</u>	<u>\$ 119,719</u>	<u>\$ 121,276</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
LOCAL STREETS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue	\$ 18,000	\$ 18,000	\$ 22,055	\$ 4,055
Interest and other	80	80	375	295
Total revenues	<u>18,080</u>	<u>18,080</u>	<u>22,430</u>	<u>4,350</u>
Expenditures				
Construction	130,000	130,000	167,741	(37,741)
Routine maintenance	30,150	30,150	63,325	(33,175)
Winter maintenance	9,000	9,000	4,934	4,066
Total expenditures	<u>169,150</u>	<u>169,150</u>	<u>236,000</u>	<u>(66,850)</u>
Revenues over (under) expenditures	(151,070)	(151,070)	(213,570)	(62,500)
Other financing sources (uses)				
Transfers in	<u>151,070</u>	<u>236,150</u>	<u>236,150</u>	<u>-</u>
Net change in fund balances	-	85,080	22,580	(62,500)
Fund balance, beginning of year	<u>75,508</u>	<u>75,508</u>	<u>75,508</u>	<u>-</u>
Fund balance, end of year	<u>\$ 75,508</u>	<u>\$ 160,588</u>	<u>\$ 98,088</u>	<u>\$ (62,500)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003

	Water Supply and Sewage Disposal System
Assets	
Current assets:	
Due from other government	\$ 60,906
Noncurrent assets:	
Capital assets	2,244,069
Less accumulated depreciation	(1,570,848)
Total noncurrent assets	<u>673,221</u>
Total assets	<u>734,127</u>
Net Assets	
Investment in capital assets	673,221
Unrestricted	<u>60,906</u>
Total net assets	<u><u>\$ 734,127</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Water Supply and Sewage Disposal System
Operating revenues	
Charges for services	\$ 412,207
Operating expenses	
General and administrative	33,160
Cost of sales and services	314,242
Operation and maintenance	57,521
Depreciation	56,102
Total operating expenses	461,025
Operating income (loss)	(48,818)
Non-operating revenues (expenses)	
Interest income	7,177
Other	(8,738)
Total non-operating revenues (expenses)	(1,561)
Change in net assets	(50,379)
Net assets, beginning of year	784,506
Net assets, end of year	\$ 734,127

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Water Supply and Sewage Disposal System
Cash flows from operating activities	
Cash received from customers and others	\$ 406,484
Cash payments to suppliers for goods and services	(404,923)
	<u>1,561</u>
Cash flows from investing activities	
Transfer to Oakland County operation reserves	(8,238)
Transfer to Oakland County special reserves	(500)
Investment income	7,177
	<u>(1,561)</u>
Net cash (used) by investing activities	<u>(1,561)</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (48,818)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	56,102
Changes in assets and liabilities:	
Receivables	<u>(5,723)</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,561</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Bingham Farms, Michigan (the “Village” or “government”) is a municipal corporation governed by an elected president and six trustees. There are no component units to be included in these financial statements as defined by generally accepted accounting principles.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

Government-wide financial statements. The statements of net assets and activities report information on all of the non-fiduciary activities of the Village. For the most part, eliminations have been made to remove the effect of double-counting inter-fund activities. These statements distinguish between the Village’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the business-type activities of the Village and for each function of the Village’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

Fund financial statements. The fund financial statements report in separate statements, information for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and proprietary fund financial statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the Village’s enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services,

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, franchise taxes, intergovernmental revenues, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The Village reports the following major governmental funds:

General fund. This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major streets fund. This fund accounts for activities, maintenance and capital improvements of the Village's major streets.

Local streets fund. This fund accounts for activities, maintenance and capital improvements of the Village's local streets.

The Village reports the following major proprietary fund:

Water supply and sewage disposal system This fund accounts for the activities of the Village's water distribution, water treatment, sewage disposal and sewage treatment systems. The Village has entered into contracts with the Oakland County Department of Public Works for the operation and maintenance of water and sewage disposal systems within the Village limits. Under the terms of these contracts, the Oakland County Department of Public Works is responsible for system maintenance as well as meter readings, billings to customers and collections. Under Michigan Committee on Governmental Accounting and Auditing

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

Statement 10 (MCGAA), the local unit's Enterprise Fund would record the operations of the system. The latest audited information available from Oakland County is as of and for the year ended September 30, 2003. Accordingly, the Village has recorded this activity as adjusted for depreciation in the Village's Water/Sewer Fund.

Both the government-wide and proprietary fund financial statements of the Village follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted net assets are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources, as they are needed

D. Assets, Liabilities and Equity

Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Receivables and payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*. Internal balances do not net to zero

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

due to timing differences in the fiscal year ends of the governmental funds and the business-type fund.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$50,000 for infrastructure and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Public domain infrastructure	10-20
Water and wastewater system infrastructure	10-40
Office equipment	3-10

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

The Village had no long-term debt or obligations outstanding as of June 30, 2004.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end, encumbrances are not included as expenditures. The legal level of budgetary control is at the activity level.

The Village Council requires the Village Treasurer to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in May. The Village Treasurer is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions, the total of which was not significant in relation to the original budget appropriation valuations. A comparison of actual results of operations to the general fund and special revenue fund budgets as adopted and amended by the Village Council is included in the basic financial statements.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2004, the Village incurred expenditures in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Local Streets Fund:			
Construction	\$ 130,000	\$ 167,741	\$ 37,741
Routine Maintenance	30,150	63,325	33,175

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Summary of Deposit and Investment Balances. Following is a reconciliation of deposit and investment balances as of June 30, 2004:

	<u>Primary Government</u>
Statement of Net Assets	
Cash and cash equivalents	\$ 2,054,450
Restricted cash and cash Equivalents	31,286
Investments	300,000
Total	<u><u>\$ 2,385,736</u></u>
Deposits and Investments	
Bank deposits (checking accounts, savings accounts and CDs)	\$ 740,308
Investments in short-term investment pools	1,645,220
Cash on hand	208
Total	<u><u>\$ 2,385,736</u></u>

Deposits. At year-end, the carrying amount of deposits was \$740,308. The bank balance was \$827,790. Of the bank balance, \$400,000 was covered by federal depository insurance, and \$427,790 was uninsured and uncollateralized.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits at all times. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments. The Village's investments have been classified into the following three categories of credit risk: (1) insured or registered, or securities held by the government or its agent in the government's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

As of June 30, 2004, the Village's investments consist of investment pools in the amount of \$1,645,220. The Michigan Banking Act regulates these bank investment pools. The fair value of the position in the bank investment pools is the same as the value of the pool shares. The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in these funds comply with the investment authority noted above.

B. Receivables

Receivables in the governmental activities are sixty-seven percent accounts receivables, thirty percent taxes and three percent accrued interest. Business-type activities receivables are one hundred percent due from other governments.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Personal property taxes not yet received (general fund)	<u>\$ 6,668</u>	<u>\$ -</u>	<u>\$ 6,668</u>

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

C. Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Construction in process	\$ -	\$ 167,741	\$ -	\$ -	\$ 167,741
Capital assets, being depreciated:					
Office equipment	6,527	-	-	-	6,527
Infrastructure – roads	691,449	40,301	-	-	731,749
Infrastructure – bridges	102,292	-	-	-	102,292
Total capital assets being depreciated	800,268	40,301	-	-	840,568
Less accumulated depreciation for					
Office equipment	\$ (2,720)	\$ (1,305)	\$ -	\$ -	\$ (4,025)
Infrastructure – roads	(288,339)	(43,467)	-	-	(331,806)
Infrastructure – bridges	(85,684)	(5,115)	-	-	(90,798)
Total accumulated depreciation	(376,743)	(49,887)	-	-	(426,629)
Governmental activities capital assets, net	<u>\$ 423,525</u>	<u>\$ 158,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581,680</u>

Capital assets activity for the year ended September 30, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, being depreciated:					
Infrastructure – Water and Sewer System	\$ 2,244,069	\$ -	\$ -	\$ -	\$ 2,244,069
Less accumulated depreciation for:					
Infrastructure – Water and Sewer System	(1,514,746)	(56,102)	-	-	1,570,848
Business-type activities capital assets, net	<u>\$ 729,323</u>	<u>\$ (56,102)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 673,221</u>

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 1,305
Public works	<u>48,582</u>
Total depreciation expense - governmental activities	<u>\$ 49,887</u>
Business-type activities	
Water and sewer	<u>\$ 56,102</u>

D. Operating Lease

The Village conducts its operations from leased premises. The lease is effective May 2001 through April 2007. The following is a schedule of annual future lease payments for the term of the contract:

Year Ended June 30,	Rent
2005	\$ 36,079
2006	\$ 37,161
2007	\$ 38,276

Rental expense totaled \$35,028 for the year ended June 30, 2004.

E. Interfund Receivables, Payables and Transfers

At June 30, 2004, there were no interfund payables or receivables.

For the year then ended, interfund transfers consisted of the following:

	Transfer In		
	Major Streets	Local Streets	Total
General fund	\$ 50,000	\$ 236,150	\$ 286,150

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

F. Segment Information – Enterprise Funds

The Water Supply and Sewer Disposal System, is an individual fund that accounts entirely for the government's water and wastewater activities. This fund is a segment and is reported as a major fund in the fund financial statements; therefore, segment disclosures herein are not required.

G. Reserves, Designations and Restrictions of Fund Balance and Net Assets

Reserves Reserved fund balances are legal restrictions on fund balance imposed by sources outside the Village, which typically involve donor restrictions for specific purposes on Village financial resource.

Designations Designated fund balances are restrictions imposed by the Village on the use of fund balance for specific purposes.

Restricted Net Assets Restricted net assets on the Statement of Net Assets are similar to reserved fund balance in that a portion of net assets are legally restricted for a specific purpose as imposed by sources outside of the Village.

The schedule of reserved, designated and restricted fund balance and net assets is as follows:

	Reserved Fund Balance	Designated Fund Balance	Restricted Net Assets
Governmental funds:			
Road improvements	\$ -	\$ 600,000	\$ -
Sewer improvements	-	200,000	-
Subsequent year appropriations	-	21,104	-
Total	<u>-</u>	<u>821,104</u>	<u>-</u>
Proprietary funds:			
Invested in capital assets	\$ <u>-</u>	\$ <u>-</u>	\$ <u>673,221</u>

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries and illnesses of employees; and natural disasters. The Village participates in the Michigan Municipal Risk Management Authority (MMRMA), a self-insured public-entity risk pool organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships and special purpose governments. Should actual losses among participants be greater than anticipated, the Village will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, there will be a reduction in the Village's future

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

contribution to the pool. The pool has obtained specific and aggregate excess insurance to a maximum of \$15,000,000 per occurrence in excess of the pool's loss fund. Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by August 31st. As of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Oakland County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2003 levy was \$178,404,997. The government's general operating tax rate for fiscal 2003-04 was 6.8 mills with an additional 2.65 mills for the police special assessment district, and 0.686 mills for the Woodlynne Pump special assessment district.

Property taxes are recognized in the fiscal year in which they are levied to the extent that they are measurable and available.

Special assessments in governmental funds are recorded as revenues when due, not when levied.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

D. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal government's to establish fees that bear a reasonable relationship to the cost of operating their building departments. The Village does not operate a building department for the purposes of charging for and/or issuing permits related to construction projects. The City of Southfield, Michigan charges and issues all permits relating to construction in the Village.

E. Restatements

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

Statements

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

The above pronouncements are all related to the new financial reporting requirements for all state and local governments.

The more significant of the changes required by the new standards include:

- Management’s discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning fund balance and net asset accounts:

VILLAGE OF BINGHAM FARMS, MICHIGAN

Notes To Financial Statements

Government-wide financial statements. Beginning net assets for governmental activities was determined as follows:

Fund balances of general and special revenue funds as of 6/30/03	\$ 1,952,480
Add: governmental capital assets, including general fixed assets and infrastructure as of 6/30/03	800,268
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	(376,743)
Add: deferred revenue on taxes receivable as of 6/30/03	<u>4,709</u>
Governmental net assets, restated, as of 7/1/03	<u><u>\$ 2,380,714</u></u>

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SUPPLEMENTARY INFORMATION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

July 30, 2004

To the President and Village Council
Village of Bingham Farms
Oakland County, Michigan

We have audited the financial statements of *Village of Bingham Farms, Michigan* as of and for the year ended June 30, 2004, and have issued our report thereon dated July 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether *Village of Bingham Farms, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Village of Bingham Farms, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, President and Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.